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IBTEX No. 189 of 2022 October 01, 2022

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INTERNATIONAL NEWS

China's textiles & apparel exports at $220 bn in Jan-Aug 2022

China's exports of textiles, apparel and clothing accessories increased to $220.302 billion in the first eight months of the current year, registering a growth of 11.11 per cent year-on-year. The latest monthly data released by the General Administration of Customs of China shows that the country's garment exports grew 11.6 per cent in the same period.

Garments and clothing accessories exports reached $118.034 billion in the first eight months, which was 11.6 per cent higher than the same period of last year. China's textile exports, including yarn, fabrics and others, registered a growth of 10.2 per cent year-on-year and the shipment reached $102.268 billion in January-August 2022.

Textile and apparel exports during August 2022 amounted to $30.975 billion. Out of this, textile, yarn and articles exports earned $12.490 billion, while garments and clothing accessories fetched $18.485 billion in August this year, as per the data.

Source: fibre2fashion.com- Oct 01, 2022

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US envoy to Bangladesh says SEZs not enough to attract best investors

Special economic zones (SEZs) alone are not enough to attract the best investors, according to US ambassador to Bangladesh Peter Haas, who recently told a programme hosted by the International Business Forum of Bangladesh that a smart company considering business overseas certainly wants 'certainty and security' as political violence and electoral instability 'scare' them.

"It's one thing to build a special economic zone, but that alone is not enough to attract the best investors," he said.

Companies want a developed transportation system, consistent access to power and water, and a well-trained workforce and Bangladesh had made great strides in filling these needs, he noted.

There are strong reasons to look at Bangladesh for market opportunities, he said.

"Yes, times are tough. And as the World Bank recently pointed out, Bangladesh needs additional reforms in order to maintain its economic expansion going forward. But so far, the macroeconomic situation seems manageable," added the envoy.

Source: fibre2fashion.com- Sep 30, 2022

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WCTD to host 3rd annual global event on October 7

World Circular Textiles Day (WCTD), which tracks and emboldens circular textiles progress, will host its third annual global event on October 7. It will see participants from across the value chain gather in person and virtually to report on circularity progress while recognising challenges faced by the industry and looking forward to solutions.

WCTD co-founder hosts will report, reflect and celebrate progress made in circular textiles over the last year. The event will feature interviews and stories from across the industry and globe, featuring key developments which have been collected and archived on WCTD's Knowledge Hub, the world's largest digital archive of circular actions in the textile industry.

As a platform amplifying this progress, World Circular Textiles Day's annual review event, now in its third year, will be the first to happen in front of a live audience in London, hosted in collaboration with The Conduit. The programme will highlight circularity progress over the last year and include insights and updates across WCTD core themes: Materials and Planetary boundaries, Products and Services, and People and Society. Interviews and conversations with signatories, companies, organisations will take place from across the globe. The programme will also include a live link to New York City to capture insights from WCTD's North American signatories, hosted by WCTD partner Lenzing Group, and a global livestream will be available for free. Hundreds of stakeholders from around the globe will gather virtually to celebrate progress and join the dots as an industry to overcome the challenges ahead to achieve Full Circularity by 2050.

"Our goal is to amplify the actions and efforts of the dedicated individuals and organisations working towards textiles circularity to inspire and drive further activities to advance full circularity by 2050," said Cyndi Rhoades, co-founder at World Circular Textiles Day.

"Companies, organisations and individuals who join us on this journey towards full circularity by 2050 can upload their activities throughout the year to WCTD's Knowledge Hub, the world's largest digital archive of circular textiles case studies. The Knowledge Hub works as an ever-evolving time capsule, keeping track of the progress achieved on all circular activities taking place year on year. We will also select some of these case studies to be presented as an example to follow during this year's World Circular Textiles Day," added Gwen Cunningham, World Circular Textiles Day's co-founder and Lead Textiles Programme at Circle Economy.

This year's event is sponsored by lead partner, Lenzing Fibers, as well as, TEXAID, Bank & Vogue, Usha Yarns, The Conduit and APR.

"The implementation of circularity is one of the most important challenges the textile industry is currently facing. Since the topic is so complex, progress can only be achieved by partnering and starting industry-overlapping initiatives. As Lenzing has a clear commitment towards circularity we appreciate this new initiative and fully support it," said Tricia Carey, director of Global Business Development and Americas, Lenzing Group.

"Collaboration is the only way we can shift the fashion and textiles industry to become circular, which is why we are excited to be among so many companies and stakeholders committed to a circular future brought together by WCTD22," said Steven Bethell, founder of Bank & Vogue.

"As a home for people passionate about driving social change, we are thrilled to be hosting World Circular Textiles Day 2022. This is a wonderful opportunity to create space for positive and catalytic collaborations and conversations that will help create momentum towards full textile circularity," said The Conduit.
"Circular economy within the textile industry is an important driver of innovation and sustainable practices. TEXAID, as a part of the end-of-life phase within the textile value chain, supports the further development of the industry on the road to circularity. We are committed to active exchange within the textile industry. This is the only way to understand the requirements of the various players and to find joint solutions to close the textile loop," said Martin Böschen, TEXAID's CEO.

"We earnestly join the strong list of WCTD signatories in our common effort to bring focus on the urgent need of achieving full textile circularity by 2050. We look forward to a collaborative approach amongst all signatories and are dedicated to raising the quality bar of recycled textiles," added Anurag Gupta, managing director of Usha Yarns.

Source: fibre2fashion.com - Sep 30, 2022

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Sri Lankan exports of apparel & textiles grew 19.3% in Jan-Aug 2022

Sri Lankan exports of apparel and textiles increased by 19.3 per cent to $4,082.81 million during January to August 2022 compared to the same period in 2021, as per Sri Lankan Export Development Board. However, a few categories such as clothing accessories, knitted fabrics, textile floor coverings and yarn registered a decline in exports.

According to the board, the exports of made-up clothing accessories declined by 9.8 per cent, knitted fabrics declined by 1.02 per cent, yarn decreased by 15.61 per cent and textile floor coverings reduced by 14.35 per cent. However, the other textile and garment products noticed an impressive growth in exports during the period under review.

Sri Lankan merchandise exports increased by 12.04 per cent to $8,853 million compared to the corresponding period of 2021. Apparel and textiles were among the sectors that witnessed an outstanding growth. Earnings from the merchandise exports increased by 10.24 per cent year over year (YoY) to $1,213.7 million in August 2022 as per the data released by the Sri Lanka Customs. This was mainly due to the increase in earnings from exports of apparel and textiles.

Source: fibre2fashion.com- Sep 30, 2022

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Turkey's Exports to Morocco Increase Despite Imposed Tariffs

Rabat - While Morocco imposed tariffs on Turkish imports in response to a "commercial invasion," Turkish textile and raw materials exports increased by 30.4% between January and August 2022 to reach 44,000 tonnes.

Citing recent data from the Istanbul Textile and Raw Materials Exporters' Association (ITHIB), Textilegence indicated that Morocco had the highest increase in the quantity of imported textiles and raw materials among Turkey's top export destinations; Italy, Germany, the US, Spain, and France.

As the Moroccan imports of Turkish products surged despite imposed protective measures, the Turkish textile and raw materials sector marked 7.5% year-on-year growth, amounting to $8.8 billion by the end of August with the EU countries and Africa serving as the main export destinations.

In November 2021, the Productive Sectors Committee of Morocco's House of Representatives called out for restricting the flow of Turkish products to Morocco amid what they described as a "commercial invasion."

The members of the public committee expressed particular concern for the sustainability of local shops in light of the Turkish discount store Bim which has rapidly expanded in Morocco over the past years.

However, this was not the first time Moroccan officials have questioned the impact of the free flow of competitive Turkish products to the domestic market. Many have argued that the Morocco-Turkey Free Trade Agreement (FTA) signed in 2004 has brought more economic benefits to Istanbul.

In October 2020, for instance, Morocco's Council of Ministers sought to impose customs duties, for a five-year period, on certain Turkish industrial products.

However, Turkish textile products -alongside Chinese brands- have flooded the Moroccan fashion sector with clothing companies such as LC Waikiki and Koton gaining popularity among Moroccan customers.

While the clothes designed by the two fast-fashion companies appeal to, particularly youth's interest in trendy yet affordable fashion, the Moroccan textile industry is gradually losing ground to multinational giants, particularly in the urban hubs.

The lack of funding as well as limited growth prospects for small and medium-sized Moroccan businesses in the sector represent additional challenges to the development of the local textile industry, argues Morocco's central bank governor Abedlatif Jouahiri.

Aware of these challenges the Moroccan governor announced in February that Bank Al-Maghrib (BAM) set in motion a series of measures to help businesses access bank loans and manage loan portfolios, adding that Morocco's textile industry "is a priority within our investment strategy."

As the Moroccan central bank has intervened to revive and modernize domestic textile production, the Moroccan Association of Textile and Clothing Industries (AMITH) said in March that the value of Moroccan textile exports is set to double by 2030, mounting to MAD 60 billion ($5.45 billion).

The association added that local textile producers seek to increase exports to North American and Northern European markets by 20%.

While Morocco envisions increasing its exports to address its serious trade deficit, the country must cut its reliance on imports partially for goods that could be produced domestically.

Source: moroccoworldnews.com - Sep 29, 2022

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NATIONAL NEWS

Container hub Time for India to supply containers to the world: PM Modi

Prime Minister Narendra Modi on Thursday said the time has come for India to supply 'Made in India' containers to the world to reduce over-dependence on one country for container requirements.

In an apparent hint at the recent global container shortage and the resultant escalation in global freight costs, Modi asked entrepreneurs from Bhavnagar's Alang ship-breaking yard to utilise steel recovered from ship-breaking to make containers and supply it to the world.

"Recently we observed that excessive dependence on one country for container supplies can trigger a big crisis. This is a new and big opportunity for Bhavnagar. On the one side, India's share in international trade is rising, and on the other, the world is looking for a dependable container supplier," Modi said during a rally at Bhavnagar, on the first day of his two-day visit to Gujarat.

Modi said, conventionally, the steel recovered from ship-breaking activity at Alang has been used widely in the construction sector, but the same could be used to make containers, too. "The world wants lakhs of containers. The containers to be made in Bhavnagar would energise the Atmanirbhar Bharat mission and create local employment opportunities," Modi said.

In a further opening up of opportunities for the Alang ship-breakers, Modi said the Centre's newly-launched vehicle scrappage policy would enable Alang to become a big hub for vehicle scrapping. "Alang has expertise in scrapping of ships. They can also do vehicle scrapping. I am confident that the first and the biggest beneficiaries would be you," he said in an address to the youth and entrepreneurs from across Bhavnagar and parts of Saurashtra.

For the farmers, traders and communities of Saurashtra, Modi said the RoRo ferry service between Bhavnagar district's Ghogha to Surat's Hazira has reduced the distance between Saurashtra and Surat from 400 km via road earlier, to less than 100 km in the RoRo ferry. "So far, about 3 lakh passengers have used this mode and over 80,000 cars have been transported. This year too, about 40 lakh litres of petrol-diesel has been saved. This is a big savings for people," said the Prime Minister, adding that the development works have been taking place silently without much noise and advertisement.

"In the past 20 years, we made honest efforts to make Gujarat's coastline a gateway for India's prosperity," he said, adding the coastline has three big LNG terminals with India's first coming up in Gujarat, which has also become a petrochemicals hub.

"We created a coal terminal network along the coast. Today, the coastal region of Gujarat has several power plants, which provide electricity not just to Gujarat, but also to other States," Modi said. With the development of Dholera for renewable energy, space applications and the semi-conductor industry, Modi said the day is not far when Ahmedabad, Dholera and Bhavnagar will emerge as strong centres of development..

Source: thehindubusinessline.com - Sep 29, 2022 **HOME**

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Inflation fight RBI hikes repo rate by 50 bps, Das blames it on 'new storm'

Policy focus on withdrawal of accommodation, cuts FY23 growth to 7%

Faced with the challenge of elevated retail inflation and a 'storm' arising from the aggressive monetary policy actions of advanced economy central banks, the six-member Monetary Policy Committee (MPC) decided by a majority of 5 to 1 to raise the policy repo rate by 50 basis points as also to remain focussed on withdrawal of accommodation.

The latest hike, which was widely expected, takes the repo rate to 5.90 per cent from 5.40 per cent. With this, the MPC has cumulatively raised the repo rate by 190 bps (40 bps in May, followed by 50 bps each in the following three meetings) since May.

RBI Governor Shaktikanta Das said that even as the nominal policy repo rate has been raised by 190 bps so far, the policy rate adjusted for inflation trails the 2019 levels. "In the last two-and-half years, the world has witnessed two major shocks — the Covid-19 pandemic and the conflict in Ukraine. Now, we are in the midst of a third major shock, a storm, arising from aggressive monetary policy actions and even more aggressive communications from advanced economy central banks."

Domestic factors

The Governor emphasised that the MPC's decision continues to be, and will be, guided by domestic factors. The decisions are based on the twin objectives of inflation and growth, with primacy being given to price stability, followed by the necessity to keep growth in mind, he said.

He observed that the domestic inflation remains high (hovering around 7 per cent and the RBI expects it to remain elevated at around 6 per cent in the second half of FY23, too), though expected to moderate.

The RBI has cut the real GDP growth projection for 2022-23 to 7 per cent from 7.2 per cent even as it retained the retail inflation projection at 6.7 per cent in 2022-23

Source: thehindubusinessline.com - Sep 30, 2022

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Declining trend Core sector growth slows to 9-month low of 3.3% in August

The output of eight core infrastructure sectors grew 3.3% in August, the lowest in nine months, as against 12.2% in the year ago period, the commerce ministry said on September 30.

Output in six of the eight core sectors --coal, refinery products, electricity, fertilisers, cement and steel--grew in August, according to official data released on Friday.

According to the commerce ministry, the production growth of eight infrastructure sectors was 9.8% during April-August this fiscal, compared to 19.4 per cent a year ago.

“Final growth rate of Index of Eight Core Industries for May 2022 is revised to 19.3% from its provisional level 18.1%. The growth rate of ICI during April-August 2022-23 was 9.8% (P) as compared to the corresponding period of last FY," the ministry said in a statement.

Core sector has registered a slowdown in growth rate for the third successive month to 3.3% in August. This has been influenced partly by the statistical base effect of 12.2% growth last year, said Madan Sabnavis, chief economist, Bank of Baroda.

Meanwhile, production of coal rose 7.6% year-on-year in August, and electricity generation rose 0.9%, said the commerce ministry.

“Mining has done well at 7.6% which comes on top of 20.6% growth last year. Power sector growth was just 0.9% which is understated due to strong growth of over 16% last year. Return to normalcy in coal production is a positive for the economy which was under stress in April and May following the Ukraine war where there was shortage of coal," Sabnavis said.

Petroleum refinery production output rose 7% while fertilisers grew 11.9% in August from a year earlier, it said.

According to the ministry, crude oil production declined by 3.3% in August, 2022 over August, 2021. While, the natural gas production declined by 0.9% in August, 2022 over August, 2021.

Steel production increased by 2.2% in August, 2022 over August, 2021. Its cumulative index increased by 5.8% during April to August, 2022-23 over the corresponding period of previous year, the ministry said.

Cement production increased by 1.8% in August, 2022 over August, 2021. Its cumulative index increased by 10.6% during April to August, 2022-23 over the corresponding period of previous year, according to official data released.

Source: livemint.com - Sep 30, 2022

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RBI cuts growth forecast but doesn't signal slowdown in economic activity

The Reserve Bank of India (RBI's) downward revision of the FY23 real growth forecast for the country to 7% from 7.2% doesn't suggest slowdown in economic activities in the coming quarters. In fact, it's a mere reflection of the fact that actual growth in the first quarter of this fiscal turned out to be just 13.5%, way below its earlier projection of 16.2%. This forced a marginal downward revision in its growth forecast for the full year.

If anything, the central bank now expects growth in each quarter until Q1FY24 to top its August projections by 10-60 basis points, suggesting greater economic activities than its earlier assumption.

On Friday, it pegged growth at 6.3% for the second quarter, 4.6% for third and fourth quarters and 7.2% for the first quarter of the next fiscal. Its earlier growth projection was 6.2% for Q2FY23, 4.1% for Q3, 4% for Q4 and 6.7% for Q1FY24.

Of course, at 7%, the RBI's latest forecast for FY23 is among the most conservative estimates. The government expects real growth to be between 7% and 7.5%; the International Monetary Fund projects it at 7.4% and the World Bank at 7.3%. However, the RBI's FY24 real growth projection of 6.5% is higher than that of some independent agencies.

While the RBI highlighted risks from geo-political risks (Ukraine war) and tightening global financial conditions, it also expected continued thrust on capex by the government, improvement in capacity utilisation in manufacturing and pick-up in non-food credit to sustain the expansion in industrial activity that stalled in July.

"The outlook for aggregate demand is positive, with rural demand catching up and urban demand expected to strengthen further with the typical upturn in the second half of the year," it said.

Net exports, imported inflation pose risks

The monetary policy review dwelt on two relatively less-highlighted factors that may pose upside risks to the economy: net exports and imported inflation.

India Ratings chief economist DK Pant said, with trade deficit expected to hit a fresh record in the September quarter, beating the earlier peak ($66.8 billion) scaled in the previous three months, there is bound to be substantial drag-down effect of the sharply-negative net exports on the computation of GDP growth. It was witnessed in the June quarter as well. A more favourable net export scenario would have boosted the economic growth rate in the first quarter from just 13.5% (on a favourable base).

Similarly, a depreciation of the rupee against the greenback in the face of aggressive tightening by the US Federal Reserve will offset gains from recent easing of global commodity prices, especially of oil. Any sharp fall in the domestic currency from here on would add to price pressure. The RBI has retained its inflation forecast for FY23 at 6.7%.

Economists at Crisil said headwinds from tightening global financial conditions and risks to exports played its part in the downward revision of the RBI's FY23 growth project, even as "domestic activity remains resilient".

Economists at Nomura : "The RBI's policy stance signals that further hikes and a further withdrawal of liquidity are likely, but we would not read too much into it. The main message is that uncertainty abounds, policy will be data dependent and not guided by a text book approach (we read this as, Taylor rule or rate hikes to defend the currency)," they wrote.

Source: financialexpress.com - Oct 01, 2022

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India's cotton production may reach 355-360 lakh bales in MY 22-23

India's cotton production is set to increase to 355-360 lakh bales due to 8.83 per cent rise in sowing area, favourable weather and good crop conditions in marketing year (MY) 2022-23 that begins on October 1. It will be 14-15 per cent higher than last year. However, the increase in production is a debatable issue and actual crop size may vary.

The government of India has projected a production of 341.9 lakh bales of 170 kg, while the US Department of Agriculture (USDA) has estimated the production to be around 354 lakh bales.

According to the latest data from the ministry of agriculture, the production area of ????cotton in the country has increased by 8.83 per cent to 127.39 lakh hectares from 116.56 lakh hectares last year. In the first advance estimate released by the ministry, it said that the production may increase to 341.90 lakh bales from 312.03 lakh bales in the last season. The government has set a target of producing 370 lakh bales for the new season. Recently, USDA had estimated cotton production in India to be around 354 lakh bales.

The uncertainty regarding the weather conditions for the cotton crop reduced towards the end of September. In the first fortnight of the current month, there were concerns about the crop due to forecasts of heavy rains during the end of this month in Maharashtra and Gujarat. Some parts of Maharashtra and Gujarat received sporadic rains in the last week of September but there were no reports of excessive rainfall which could have threatened the crop. North India also witnessed rainfall last week when the crop was ready for picking. But market sources said that except minor impact in smaller parts of Haryana, no major losses were reported in north India.

Last year, north India's cotton crop was severely damaged from diseases like pink ball worm caused by late monsoon rains. Crop yield reduced in Gujarat and Maharashtra too. Therefore, India's cotton production estimate had come down to 315 lakh bales, as per the last estimate of Cotton Association of India (CAI). The government had also reduced production projection to 312 lakh bales in the fourth advance estimate.

This year, no threats have been predicted for the crop until now. The arrival in north India comprising Punjab, Haryana, upper Rajasthan and lower Rajasthan is increasing continuously. On Thursday, cotton arrival increased to 14,000 bales. Traders estimate that the arrival will reach 30,000 bales very soon. However, the arrival in central and south India is limited. The sowing of the crop was delayed due to uneven rainfall during early monsoon. Rains in early September also slowed the progress of the crop. Presently the daily arrival in Gujarat is around 4,000-5,000 bales. "The arrival will be limited till mid-October, but it is likely to pick up after Diwali. Peak arrival in Indian markets is likely to begin in November," Chetan Bhojani, a trader from Rajkot, told Fibre2Fashion.

New cotton prices have witnessed a steep fall in north India despite late arrival and prolong scarcity before the new crop. In north India, October delivery prices have declined to ₹6,500-6,550 per maund of 37.2 kg. Trade sources indicate that the prices are reeling under pressure due to weak demand from the downstream industry. Buyers are not turning up in the market as they expect prices to fall soon. The sources said that spinning mills are buying limited quantities only for Muhurta production. MNCs have not begun procurement yet. Cotton prices were hovering at ₹8,500-9,000 per maund in early September. Therefore, the prices have fallen by about 20-24 per cent.

Source: fibre2fashion.com– Sep 30, 2022 **HOME**

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A win-win trade deal

India-Australia FTA serves both nations well

India's foreign trade policy has seen a significant shift in recent years which can be seen through the signing of two crucial trade agreements with the UAE and Australia. Both these agreements had been in the offing for quite some time, but Delhi has been able to make significant developments that are expected to be beneficial for the Indian market.

Many of the previous FTAs were disproportionate in benefiting the bilateral partner. With the India-UAE CEPA and the India-Australia ECTA, this trend seems to be reversed. India and Australia signed an early harvest free trade agreement or the Economic Cooperation and Trade Agreement (ECTA), on April 2, 2022.

This is considered a watershed moment for India and Australia's bilateral relations. Being the first free trade agreement that India has signed with a developed country in more than a decade, the deal is aimed at benefiting a range of sectors in both countries.

In a nutshell, Australia will provide 100 per cent market access for all Indian goods over five years and lower duty on 95 per cent of Indian goods.

The current duty of 5 per cent imposed on Indian goods from labour-intensive sectors like gems and jewellery, leather and footwear, and textiles would be waived, thereby offering zero-duty access to the Australian market.

India, too, would lower the import duty on more than 70 per cent of Australian imports, which would grow to include 85 per cent of Australian goods in 10 years.

The complementarities

This agreement has been sensitive to the needs of both economies.

For the first time, India has signed a deal that enforces 'country of origin', preventing items from other countries entering through the FTA route.

Also, Delhi has been able to safeguard its interests by excluding sensitive sectors such as agriculture and dairy from the agreement. Similarly, Australia has also been able to tackle the 'China problem' by diversifying its import and export baskets in sectors like automobiles, coal, and wines.

With the ECTA, Indian companies will get access to the relatively untapped $27-billion automobile industry of Australia. A similar situation can be observed with respect to Australia's coal exports. By leveraging the Chinese ban on Australian coal imports, India has been able to capitalise on the opportunity and Australia has emerged as a cheaper alternative to South American and Indonesian coal.

Movement of people

India had always been hesitant about the prospect of the international movement of its people. However, with the ECTA, India is seen to move on from this scepticism and pave the way for new opportunities for its skilled workforce.

From Indian chefs and yoga teachers who now have the right to relocate to and practice in Australia under a work visa permit for four years to Indian students studying in Australia being granted leeway to extend their stay post completion of their courses, the trade agreement further cements India's trust in Australia and strengthens their relationship.

Future course of action

Through the ECTA, leaders of both nations have been able to create a balanced trade agreement with far-reaching positive consequences for both the nations as well as essential for geopolitical security.

Previous experience of early harvest agreements with nations like Thailand and Sri Lanka have not been able to graduate to full-scale FTAs.

Thus, it is essential to keep the conversation between the nations going, to ensure a speedy signing of the full-fledged free trade agreement.

The writer is Managing Director, Investment Realisation, Primus Partners, New Delhi

Source: business-standard.com- Sep 29, 2022

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Don’t ignore collapse of trade credit

How inclusive and practical is our monetary policy framework? Many research papers find the degree of pass-through of monetary policy to bank interest regime partial, staggered and low. Policy transmission is more effective in respect of money market. A forgotten aspect of ineffective monetary policy transmission is role of trade credit (TC).

TC is as old as B2B (business-to-business) trade. Historically, and much before the emergence of banks, TC financing powered the development of trade and industry, growth of commercial centres and rise of business communities such as Marwaris. Even after the growth of mass banking, TC continues to be the single largest source of working capital across businesses.

TC enables millions of day-to-day B2B transactions. India’s MSME Financing Report, 2018 by IFC finds that banks and NBFCs accounted for 16 per cent of MSMEs’ overall credit need. Credit gaps are generally met by TC.

TC serves as a medium of exchange, an essential function of money. B2B transaction financing role of TC is similar to that of currency and bank demand deposit. Firms use a mix of bank credit and TC to finance their working capital. Thus, every firm that sells on credit functions like a bank or financial intermediary. Collectively, firms constitute the largest credit intermediary network — far bigger and more inclusive than the banking network. Our bank-centric approach to monetary policy misses macroeconomic perspectives of TC.

The centrality of TC in working capital financing is a fact. TC channel functions as an important conduit for monetray policy transmission. Through credit intermediation, TC network positively impacts the pace of saving-investment-growth. It provides last mile links in credit multiplication and distribution along the input-output chain. It translates macro liquidity into micro liquidity. TC works both as a source (a/c payables) and use (a/c receivables) of funds for a firm. It touches every aspect of a business — production, sales, management of inventory, receivables, payables, liquidity, capex and operational efficiency.

In fact, the World Bank too advocates TC as an important tool for channelising credit by large firms to SMEs. Fragile TC network results in misallocation of credit and stagnation of liquidity with banks and high-end corporates.

Cross exposure and interconnectivity between banks and TC networks span across supply chain financing. Bank credit is transformed into TC when it enables a firm to extend TC to its clients. Transactional velocity of TC is critical for business growth. Adverse effects of TC ecosystem contaminated by trust deficit, low credit confidence, and repayment defaults impact bank credit portfolio.

Disruption in payment

In such a setting, demonetisation triggered sudden disruptions in the TC payment system.

A pre-Covid survey of payment practices by Atrdius finds a three-fold increase in write-offs of uncollectable debt and doubling in average value of long-overdue invoices. Before these disruptions could stabilise, Covid-19 waves badly struck business operations. Notably, the Covid pandemic witnessed amplification of trust deficit, significant deterioration in B2B payment culture and growing fear of opportunistic behaviour by trade debtors.

The result was a spike in receivables backlog, delayed payments and bad debts. Anecdotally, micro units' receivables stood at 195 days in FY2021. The RBI's annual study of select public limited companies' receivables to sales ratio in respect of companies with turnover between ₹1 crore and ₹25 crore surged from 36 per cent in FY 2019 to 40 per cent in FY 2020 and further to 60 per cent in FY 2021. Now, these trends continue without any self-correcting mechanism.

They contribute to subdued investment and growth vulnerabilities. Failure of credit intermediation was a critical feature of the Great Depression.The World Bank warns that TC paralysis can be a potential source of liquidity shock. Dysfunctional TC can hold back investment and growth, despite supportive monetary policy and macro fundamentals.

Indeed, private investment has not grown much despite twin advantages of healthy balance sheets of corporates and banks, global buyers' China+1 policy, slowdown in China and above all various credible pro-manufacturing growth and investment policies, large public investment and a buoyant capital market. This can be explained by a dysfunctional TC ecosystem.

Strengthening of the TC ecosystem is necessary for effective monetary policy transmission, finance-led recovery and higher investment.

Source: thehindubusinessline.com- Sep 29, 2022

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North India's cotton yarn turns attractive after steep fall in prices

North India’s cotton yarn market recorded a further decline in prices today as the demand did not improve. However, cheap cotton yarn can boost market sentiments. Traders from Delhi said that Indian cotton has become cheaper than Pakistani cotton, and the latter’s buyers are turning to Indian exporters. But Ludhiana and Panipat were lacking confidence.

In Delhi, cotton yarn prices saw a steep fall of up to ₹20 per kg in the last one week. But there is optimism for improved buying in the weeks to come. “The drastic fall in prices have made cotton yarn attractive. Indian cotton yarn is now cheaper than its Pakistani counterpart. Therefore, foreign buyers of garments and raw materials who buy from Pakistan, were approaching Indian exporters. Ultimately, the consumer industry will make a strong comeback,” a trader from Delhi market told Fibre2Fashion.

In the Delhi market, 30 count combed yarn was traded at ₹350-355 per kg (GST extra), 40 count combed at ₹380-385 per kg, 30 count carded at ₹300-305 per kg and 40 count carded at ₹330-335 per kg, as per Fibre2Fashion’s market insight tool TexPro.

However, the Ludhiana market did not see any positive signs despite a steep fall in prices. A local trader told Fibre2Fashion, “Cotton yarn market remained under pressure because buyers were still absent from the market.”

In Ludhiana, cotton yarn prices dropped ₹10-20 per kg during the last one week. 30 count cotton combed yarn was sold at ₹330-335 per kg (GST inclusive), according to TexPro. 20 and 25 count combed yarn were traded at ₹320-330 per kg and ₹325-335 per kg respectively. Carded yarn of 30 count was quoted at ₹285-290 per kg.

Traders in the Panipat market were expecting buying to increase during the auspicious period of Navratri, but trading activities saw no improvement during the festival. Recycled PC yarn fell by ₹5 per kg, but other varieties were traded at the previous rates. The traders said that the buyers are not confident enough and the recycled yarn market may get a boost after the virgin cotton yarn market picks up.

In Panipat, 10s recycled yarn (white) was traded at ₹88-93 per kg (excluding GST), 10s recycled yarn (coloured - high quality) at ₹100-105 per kg, 10s recycled yarn (coloured - low quality) at ₹80-85 per kg and 20s recycled high quality PC yarn (coloured) at ₹105-110 per kg. 30 count recycled yarn was sold at ₹155-160 per kg. 10s optical yarn was traded at ₹100-110 per kg in the market. Comber prices were ruling at ₹125-128 per kg. The yarn-waste product has seen relative stability due to lower supply. Recycled polyester fibre (PET bottle fibre) was steady at ₹88-90 per kg.

North Indian cotton prices further eased by ₹200-250 per maund as arrival increased amid limited buying. Buyers including MNCs were very selective about new deals. According to the traders, they were waiting for the cotton prices to fall further to avoid losses. Daily arrival in north India comprising Punjab, Haryana, upper Rajasthan and lower Rajasthan increased to 14,000 bales of 170 kg. Cotton was traded at ₹6,900-6,950 per maund of 37.2 kg for September and early October delivery deals. Forward cotton for the full month of October was traded at ₹6,500-7,550 per maund for October delivery.

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Cotton Council International celebrates third Cotton Day in Mumbai

Cotton Council International (CCI), along with the leadership of the U.S. cotton industry, held its annual Cotton Day in Mumbai, India, educating over 120 attendees on how U.S. cotton adds value for its partners in the Indian textile industry. This year's event, held both virtual and in-person featured the theme "Your Partner for Prosperity", bringing a fresh perspective from leading industry experts on how U.S. cotton connects the textile community and is a trusted partner in the textile supply chain.

"Accountability and transparency are integral to the U.S. cotton industry's values," William Bettendorf, Director, COTTON USA Supply Chain & South Asia, CCI, said: "Both brands and consumers today are increasingly becoming more responsible in their sourcing strategies. Sustainability and transparency are the top priorities in our industry, and with a collaborative approach, we aim to add value for our partners."

Peush Narang, CCI Country Representative-India and Sri Lanka, added: "The Indian textile industry is one of the largest industries in the country and has witnessed phenomenal growth in the last two decades in terms of installed spindles and yarn production. Technology-wise, the Indian spinning industry has been able to keep pace with the international technology trends. Cotton has been the growth engine for Indian textile industry, and India has become one of the largest consumers of cotton, with about 22% of the world's cotton consumption."

Cotton Day India 2022 featured eminent speakers and panelists from the U.S. Embassy, CCI, and cotton industry experts from the U.S. and U.K., along with allied companies that support the industry with traceability solutions.

The event included insightful sessions on what the industry can do together to encourage partnerships and collaborative approaches for growth and prosperity. The event had sessions about the recent global cotton scenario, an update on Indian cotton, risk management, the U.S. Cotton Trust Protocol® and how sustainability and transparency are defining future global supply chains. It also included the latest CCI updates and industry guidelines on how Indian textile mills could adopt COTTON USA SOLUTIONS best practices to help increase profitability.

Marc Lewkowitz, President & CEO of Supima, shared key updates on the Supima licensing program. Jane Singer, Managing Director of Inside Fashion, also spoke about trends in the global fashion industry.

Source: indiantextilemagazine.in - Sep 29, 2022

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